

(b) For an employee to whom section 1206 applies, the Commission may pay travel and transportation expenses associated with vacation leave for the employee and the immediate family of the employee notwithstanding requirements regarding periods of service established by subchapter II of chapter 57 of title 5, United States Code, or the regulations promulgated thereunder.

(c) For an employee to whom section 1206 does not apply, the Commission may pay travel and transportation expenses associated with vacation leave for the employee and the immediate family of the employee notwithstanding requirements regarding a written agreement concerning the duration of a continuing service established by subchapter II of chapter 57 of title 5, United States Code, or the regulations promulgated thereunder.

(d)(1) Notwithstanding any other provision of law (except paragraph (2)), the Commission may contract with Panamanian carriers registered under the laws of the Republic of Panama to provide air transportation to officials and employees of the Commission who are citizens of the Republic of Panama.

(2) Notwithstanding paragraph (1), an official or employee of the Commission referred to in paragraph (1) may elect, for security or other reasons, to travel by an air carrier holding a certificate under section 41102 of title 49, United States Code.

SEC. 3529. CLARIFICATION OF DEFINITION OF AGENCY.

Subparagraph (B) of section 1211(1) (22 U.S.C. 3651(1)(B)) is amended to read as follows:

"(B) any other Executive agency or the Smithsonian Institution, to the extent of any election in effect, under section 1212(b) of this Act;"

SEC. 3530. PANAMA CANAL EMPLOYMENT SYSTEM; MERIT AND OTHER EMPLOYMENT REQUIREMENTS.

(a) IN GENERAL.—Section 1212 (22 U.S.C. 3652) is amended to read as follows:

"PANAMA CANAL EMPLOYMENT SYSTEM; MERIT AND OTHER EMPLOYMENT REQUIREMENTS

Establishment. SEC. 1212. (a) The Commission shall establish a Panama Canal Regulations Employment System and prescribe the regulations necessary for its administration. The Panama Canal Employment System shall—
(1) be established in accordance with and be

subject to the provisions of the Panama Canal Treaty of 1977 and related agreements, the provisions of this chapter, and any other applicable provision of law:

"(2) be based on the consideration of the merit of each employee or candidate for employment and the qualifications and fitness of the employee to hold the position concerned;

"(3) conform, to the extent practicable and consistent with the provisions of this Act, to the policies, principles, and standards applicable to the competitive service;

"(4) in the case of employees who are citizens of the United States, provide for the appropriate interchange of those employees between positions under the Panama Canal Employment System and positions in the competitive service; and

"(5) not be subject to the provisions of title 5, United States Code, unless specifically made applicable by this Act.